

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Moran Township School		County Mackinac	
Fiscal Year End June 30, 2008		Opinion Date August 8, 2008		Date Audit Report Submitted to State September 25, 2008			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

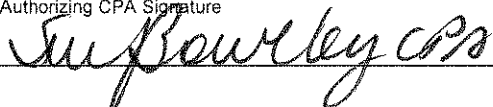
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI
		Zip 49788	
Authorizing CPA Signature 		Printed Name Sue A. Bowlby, CPA	
		License Number 1101020765	

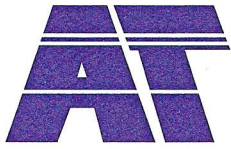
Moran Township School

**Financial Report
with Supplementary Information**

June 30, 2008

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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KENNETH A. TALSMA, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

Independent Auditor's Report

Superintendent and Board of Education
Moran Township School
St. Ignace, MI 49781

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moran Township School as of and for the year ended June 30, 2008, which collectively comprise the Moran Township School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Moran Township School's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Michigan School Auditing Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Moran Township School as of June 30, 2008, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Superintendent and Board of Education
Moran Township School

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2008, on our consideration of Moran Township School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Administration's Discussion and Analysis information and the required supplementary information identified in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in blue ink that reads "Anderson, Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

August 8, 2008

Administration's Discussion and Analysis

Moran Township School, a K-8 School District located in Mackinac County, Michigan. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Moran Township School Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

U.S. generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

For the most part; the fund financial statements are comparable to general purpose financial statements. The primary difference is that the Account Groups: General Fixed Assets and General Long-Term Debt are no longer reported.

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: School Service Funds, which are comprised of Food Service.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. Capital assets are not reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District-Wide Financial Statements:

The District-Wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-Wide financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Summary of Net Assets:

The following summarizes the net assets at fiscal year ended June 30, 2008 and 2007.

Net Assets Summary

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 644,856	\$ 723,451
Capital assets	2,537,298	2,294,372
Less: Accumulated depreciation	<u>(1,726,050)</u>	<u>(1,696,586)</u>
Capital assets, net book value	<u>811,248</u>	<u>597,786</u>
Total assets	<u>\$ 1,456,104</u>	<u>\$ 1,321,237</u>
Liabilities		
Current liabilities	\$ 144,138	\$ 147,747
Long-term liabilities	<u>94,960</u>	<u>95,565</u>
Total liabilities	<u>239,098</u>	<u>243,312</u>
Net Assets		
Invested in capital assets – net of related debt	811,248	597,786
Restricted for sinking fund	94,043	198,330
Unrestricted	<u>311,715</u>	<u>281,809</u>
Total net assets	<u>1,217,006</u>	<u>1,077,925</u>
Total liabilities and net assets	<u>\$ 1,456,104</u>	<u>\$ 1,321,237</u>

Financial Analysis of the School's Funds

During fiscal year ended June 30, 2008, the District's net assets increased by \$139,081. A few of the significant factors affecting net assets during the year are discussed below:

- Changes for the renovations incurred.

During the 2007/2008 fiscal year, the District continued to implement several financial measures taken in previous fiscal years to ensure the continued survival of the Moran Township School District. Those measures included:

- Employment of a part-time superintendent.
- Contracting with outside sources for the district's accounting and business services.
- Contracting with a neighboring district for pupil transportation.

A. Depreciation Expense

GASB 34 requires School Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets.

For fiscal year ended June 30, 2008 depreciation expense was \$29,464.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with U.S. generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

B. Capital Outlay Acquisitions

Actual capital acquisitions for fiscal year ended June 30, 2008 were \$242,926.

Combined with the increase in accumulated depreciation, net assets (i.e., net book value) invested in capital assets increased by \$213,462 during the year. This is the additional amount the District would have had to spend to maintain the same net value of assets.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

Results of Operations:

For the fiscal year ended June 30, 2008 and 2007 the District wide results of operations were:

	<u>2008</u>	<u>2007</u>
General Revenue:		
Property Taxes levied for General Operations	\$ 804,167	\$ 856,154
Property Taxes levied for Sinking Fund	129,152	130,905
Other – Federal, State and Local	23,892	3,882
Other – Investment Earnings, Fees	<u>34,182</u>	<u>52,354</u>
Total General Revenue	<u>991,393</u>	<u>1,043,295</u>
Program Revenue:		
Charges for Services – Local	12,059	13,988
Operating Grants – Federal and State	<u>118,003</u>	<u>138,894</u>
Total Program Revenue	<u>130,062</u>	<u>152,882</u>
Expenses:		
Instruction and Instructional Support	571,473	528,687
Support Services	322,396	327,914
Food Services	59,041	58,532
Depreciation (Unallocated)	<u>29,464</u>	<u>26,688</u>
Total Expenses	<u>982,374</u>	<u>941,821</u>
Changes in Net Assets	139,081	254,356
Net Assets – Beginning	<u>1,077,925</u>	<u>823,569</u>
Net Assets – Ending	<u>\$ 1,217,006</u>	<u>\$ 1,077,925</u>

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 16.8734 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

During fiscal year 2007/2008, the District's Non-Homestead TV was \$54,175,593 as reported to the district by Mackinac County on the L-4028 in May of 2007. Throughout the year, however, the Non-Homestead TV can be adjusted by the Michigan Tax Tribunal, July or December Township Boards of Reviews, and/or a Michigan State Tax Commission Official Order. Given the District's 16.8734 mills levied, the district anticipated generating \$914,125 from Non-Homestead TV and approximately \$6,000 from other local taxing sources: ie: delinquent taxes and other tax adjustments.

Early in the 2006/2007 fiscal year, the District became aware that a utility company was seeking a tax refund as they believed they were incorrectly assessed for personal property during 2002, 2003, and 2004 and 2006. In late June, 2007 the District received information from Mackinac County that indicated, based on the Michigan Tax Tribunal Docket #292195 refund order, the District was responsible for reimbursing \$44,199.50 from their General Fund and \$4,628.72 from their Sinking Fund. During fiscal year 2007/2008, the district again received refund requests from Mackinac County for Michigan Tax Tribunal Docket #0301747 (Enbridge Energy) and Michigan Tax Tribunal Docket #0268859 (Edison Sault Electric). These two refunds resulted in a refund from the General Fund in the amount of \$99,972 and \$10,140 from the Districts Sinking Fund.

State of Michigan Aid, Unrestricted

The State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan Aid Act per student foundation allowance
- b. The District's non-homestead levy

During the 2007/2008 fiscal year, the Moran Township School District was not eligible to receive state funding based on pupil membership under Section 22a Prop A Obligation or Section 22b Discretionary Payment. This was due to the fact that the District's local non-homestead tax collection exceeded the State's per pupil foundation allowance of \$7,204. In June 2008, the District received a small amount, \$2,287, for a new state school aid supplement called Section 22D(4). This section distributes payments to districts with 5.0 or fewer pupils per square mile and a total area in square miles greater than 200. Again, as in past years, the Michigan Department of Education found the District ineligible for At-Risk funds due to the fact that the District exceeded the program's established per pupil funding level.

As a matter of clarification regarding the District's local non-homestead tax collection exceeding the State's per pupil foundation allowance, in 2004 the District solicited a determination from the State of Michigan Department of Education. A letter dated September 14, 2004 from Daniel M. Hanrahan, Director; Office of State Aid responded as follows:

"This is to confirm our phone conversation as of September 13, 2004 concerning a school district whose local revenue per pupil from school operating millage exceeds its per pupil foundation grant. The Department of Treasury was conferenced into the phone conversation. It was concluded, based on an interpretation of Section 1211 of the Revised School Code and past precedent, that a school district in that situation retains the full amount of the local revenue."

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Moran Township School foundation allowance was \$7,334 per student for the 2007/2008 school year. This was a \$116 increase per student compared to the 2006/2007 school year.

Student Enrollment:

For the fall student count in September of 2007, the District's student FTE was 84.87 for general education and 0.20 for special education. The February count showed a very small change in membership for general education and special education with 91.48 and 0.42 respectively.

	<u>Student FTE</u>
2007 – 2008	85
2006 – 2007	92
2005 – 2006	78
2004 – 2005	88
2003 – 2004	105

Food Service Sales to Students & Adults:

During the 2007/2008 school year, the District generated approximately \$12,000 in local revenue for lunches and milk sales and received \$16,467 from the State of Michigan for the School Breakfast and National School Lunch Programs operated by the District. In addition, the District received \$544 in Section 31d 2007 School Lunch Funds.

The District operates both a breakfast and lunch program under the School Breakfast Program and the National School Lunch Program, federally funded programs administered by the State of Michigan's Department of Education. Michigan school districts are reimbursed at specified rates for each fully paid, reduced price, and free breakfast or lunch meal served to students.

The District's October, 2007 federal reimbursement claim form indicated that 38% of the District's students were eligible for free and reduced lunches. As in the case of most districts, the Moran Township School District's General Fund annually subsidizes the District's Hot Lunch Fund to prevent a deficit in that fund. In total, the District transferred \$27,000 from the General Fund to the Hot Lunch Fund. This amount reflects an increase over the previous year by \$11,900. The most notable factors contributing to this increase include higher food costs, higher personnel costs, and a decrease in both student enrollment and participation in program.

Federal Funding

The Moran Township School District receives a minimal amount of federal dollars under the No Child Left Behind (NCLB) legislation. In fiscal year 2007/2008, the District received an allocation of \$7,430 under Title II A (Teacher/Principal Training and Recruiting), \$262 under Title VA (Innovative Programs), and \$3,246 in Title II A carryover funds. A portion of the current year Title II A funds were used to support remedial classroom activities under Title I programming.

The Moran Township School District also continued to be eligible for the U.S. Department of Education REAP Small Rural School Achievement Program. This grant is issued in accordance with the provisions of Title VI, Part B, Subpart 1 of the Elementary and Secondary Education Act, as amended. The district was eligible for and did receive \$13,460 during the 2007/2008 school year. Prior to beginning of the 2007/2008 school year, the District submitted and was issued a grant award notification from the U.S. Department of Education for Indian Education (Authority: PL PL 107-110 ESEA as amended by the No Child Left Behind Act of 2001) funds in the amount of \$10,891. These funds were specifically used as stipulated in the original application to support reading recovery activities.

Student Transportation

2007/2008 was the fourth year that the Moran Township School District entered into a cooperative agreement with the St. Ignace Area Schools to provide transportation services for Moran's students. This agreement, which originally began in October of 2004, provided the Moran Township School District with a means to reduce the annual expenditures they had been spending on transportation while at the same time providing the same service.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES**General Fund Revenue Budget Vs. Actual 5-Year History**

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Revenues Variance Actual & Original Budget</u>	<u>Revenues Variance Actual & Final Budget</u>
2003 – 2004	1,210,519	1,210,519	1,102,094	(108,425)	(108,425)
2004 – 2005	1,143,772	1,050,544	1,087,383	(56,389)	36,839
2005 – 2006	921,900	1,013,626	995,510	73,610	(18,116)
2006 – 2007	1,004,214	1,025,543	1,013,004	8,790	(12,539)
2007 – 2008	997,905	964,783	956,063	(41,842)	(8,720)

Moran Township School

Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008

General Fund Expenditures Budget Vs. Actual 5-Year History

Fiscal Year	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
2003 – 2004	1,220,375	1,220,375	1,195,587	24,788	24,788
2004 – 2005	938,585	977,337	946,614	(8,029)	30,723
2005 – 2006	901,944	875,798	845,437	56,507	30,361
2006 – 2007	967,842	901,487	862,550	105,292	38,937
2007 – 2008	1,037,710	991,479	899,760	137,950	91,719

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Moran Township School amends its budget quarterly during the school year. For the fiscal year 2007-2008, the budget was amended throughout the year. The June 2008 budget amendment was the final budget for the fiscal year. The Moran Township School Board does not budget for expenditures covered by grants or for the grant revenue until an award is received.

Change from Original to Final Budget:

General Fund Revenues:

Total Revenues Original Budget	\$ 997,905
Total Revenues Final Budget	<u>964,783</u>
Decrease in Budgeted Revenues	<u>\$ (33,122)</u>

The District's final budgeted general fund revenues differed from final actual by \$8,720, a variance of less than 1%.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$ 1,037,710
Total Expenditures Final Budget	<u>991,479</u>
Decrease in Budgeted Expenditures	<u>\$ (46,231)</u>

As indicated above, the District's original budgeted expenditures were more than final budget by 4.46%.

Contacting the District's Financial Management:

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Administration Office, Moran Township School at 906-643-7970.

Basic Financial Statements

Moran Township School

Statement of Net Assets

June 30, 2008

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and Equivalents	\$ 615,060
Accounts Receivable	26,728
Inventory	3,068
Total Current Assets	644,856
Noncurrent Assets:	
Capital Assets	2,537,298
Less: Accumulated Depreciation	(1,726,050)
Total Noncurrent Assets	811,248
TOTAL ASSETS	\$ 1,456,104
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 91,720
Accrued Liabilities	52,418
Total Current Liabilities	144,138
Noncurrent Liabilities:	
Accrued Sick Leave Payable	42,479
Accrued Retirement Benefits Payable	52,481
Total Noncurrent Liabilities	94,960
TOTAL LIABILITIES	239,098
NET ASSETS:	
Invested in Capital Assets	811,248
Restricted for Sinking Fund	94,043
Restricted for Benefits Payable	94,960
Unrestricted	216,755
TOTAL NET ASSETS	\$ 1,217,006

Moran Township School

Statement of Activities For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense)
				Revenue and Changes in Net Assets
Governmental Activities:				
Instruction:				
Regular	\$ 518,250	\$ -	\$ 57,766	\$ (460,484)
Special Education	53,223	-	40,526	(12,697)
Supporting Services:				
School Administration	72,517	-	-	(72,517)
General Administration	13,422	-	-	(13,422)
Business	41,163	-	-	(41,163)
Food Services	59,041	12,059	19,711	(27,271)
Operations & Maintenance	105,642	-	-	(105,642)
Pupil Transportation	89,652	-	-	(89,652)
Depreciation - Unallocated	29,464	-	-	(29,464)
 Total Governmental Activities	 \$ 982,374	 \$ 12,059	 \$ 118,003	 (852,312)
 General Revenues:				
Taxes:				
Property taxes, levied for general operations				804,167
Property taxes, levied for sinking fund				129,152
Other income				23,892
Interest and investment earnings				34,182
 Total General Revenues				 991,393
 Changes in Net Assets				 139,081
Net Assets - Beginning				1,077,925
Net Assets - Ending				\$ 1,217,006

Moran Township School

Balance Sheet Governmental Funds June 30, 2008

	General Fund	Capital Projects Sinking Fund	Food Service Fund	Total Governmental Funds
ASSETS:				
Cash and Equivalents	\$ 508,965	\$ 93,666	\$ 12,429	\$ 615,060
Accounts Receivable	24,903	-	1,825	26,728
Due from Other Funds	16,871	377	-	17,248
Inventory	-	-	3,068	3,068
TOTAL ASSETS	<u>\$ 550,739</u>	<u>\$ 94,043</u>	<u>\$ 17,322</u>	<u>\$ 662,104</u>
LIABILITIES:				
Accounts Payable	\$ 91,720	\$ -	\$ -	\$ 91,720
Due to Other Funds	-	-	17,248	17,248
Accrued Liabilities and Expenses	52,418	-	-	52,418
TOTAL LIABILITIES	<u>144,138</u>	<u>-</u>	<u>17,248</u>	<u>161,386</u>
FUND BALANCES:				
Unreserved:				
Undesignated	311,641	-	74	311,715
Designated	-	94,043	-	94,043
Reserved	94,960	-	-	94,960
TOTAL FUND BALANCES	<u>406,601</u>	<u>94,043</u>	<u>74</u>	<u>500,718</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 550,739</u>	<u>\$ 94,043</u>	<u>\$ 17,322</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:				
Capital assets used by governmental activities:				
The cost of the capital assets is			2,537,298	
Less accumulated depreciation of			<u>(1,726,050)</u>	811,248
Long term liabilities for governmental activities:				
Accrued Sick Leave Payable				(42,479)
Accrued Retirement Benefits Payable				<u>(52,481)</u>
Net assets of governmental activities				<u>\$ 1,217,006</u>

Moran Township School

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2008

	General Fund	Capital Projects Sinking Fund	Food Service Fund	Total Governmental Funds
REVENUES:				
Local Sources	\$ 863,618	\$ 133,352	\$ 12,328	\$ 1,009,298
State Sources	19,098	-	-	19,098
Federal Sources	73,347	-	19,711	93,058
TOTAL REVENUES	<u>956,063</u>	<u>133,352</u>	<u>32,039</u>	<u>1,121,454</u>
EXPENDITURES:				
Instruction:				
Regular	517,551	-	-	517,551
Special Education	54,526	-	-	54,526
Supporting Services:				
Food Service			59,041	59,041
School Administration	72,517	-	-	72,517
General Administration	13,422	-	-	13,422
Business	41,163	-	-	41,163
Operations & Maintenance	105,642	-	-	105,642
Pupil Transportation	89,652	-	-	89,652
Capital Outlay	5,287	237,639	-	242,926
TOTAL EXPENDITURES	<u>899,760</u>	<u>237,639</u>	<u>59,041</u>	<u>1,196,440</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	56,303	(104,287)	(27,002)	(74,986)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	27,000	27,000
Operating Transfers Out	(27,000)	-	-	(27,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	29,303	(104,287)	(2)	(74,986)
FUND BALANCES, JULY 1	<u>377,298</u>	<u>198,330</u>	<u>76</u>	<u>575,704</u>
FUND BALANCES, JUNE 30	<u>\$ 406,601</u>	<u>\$ 94,043</u>	<u>\$ 74</u>	<u>\$ 500,718</u>

Moran Township School

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2008

Net Changes in fund balances - total governmental funds \$ (74,986)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$ 242,926 exceeded depreciation expense \$ 29,464. 213,462

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Accrued benefits payouts 605

Changes in net assets of governmental activities \$ 139,081

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	<u>Agency Fund</u>
	Student
	<u>Activities</u>
Assets	
Cash	\$ <u>11,218</u>
Liabilities	
Due To Clubs and Organizations	\$ <u>11,218</u>

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Moran Township School conform to U.S. generally accepted accounting principles as applicable to School Districts. The following is a summary of the significant accounting policies:

Financial Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. Based on application of the criteria, the entity does not contain component units. The School District also applies Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

BASIS OF PRESENTATION**District-wide Statements**

The District's basic financial statements include both district-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds) except for fiduciary funds. The district-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, both the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The district-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (grants, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (state sources and federal sources, interest income, etc.).

The District does not allocate indirect costs. In creating the district-wide financial statements, the District has eliminated interfund transactions.

Note 1 - Summary of Significant Accounting Policies (Continued)

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities.

Fund Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are grouped, in the combined financial statements in this report, into generic fund types of broad fund categories as follows:

Governmental Funds – Governmental Funds are those funds through which most School District functions typically are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved operating budget.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service Fund is a Special Revenue Fund that segregates, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds.

Capital Project Fund – The Capital Project fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes only one Capital Project Fund and it is used to account for the acquisition of capital assets with transfers made for the General fund. The School District's Capital Project fund is the Sinking Fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Activities (Agency) Fund – The School District presently maintains a Student Activities Fund to record the transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund***Major:***

General Fund

Special Revenue Fund:
Food Service FundCapital Projects Fund:
Sinking Fund

There were no Nonmajor Funds.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus and the district-wide statement uses the economic resources measurement focus.

Accrual

Governmental activities in the district-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that the principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

Note 1 - Summary of Significant Accounting Policies (Continued)

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

For Moran Township School taxpayers properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100% of the taxes which are due September 15.

The tax rates for the year ended June 30, 2008, are as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General Fund	16.8734 per \$1,000 taxable value (Non-Homestead Property Only)
Sinking Fund	1.75 per \$1,000 taxable value (Homestead and Non-Homestead Property)

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state’s School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Cash and Investments – For the purpose of the Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the District.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables – In the district-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include grants.

Inventories – Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The Food Services Fund inventory consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The District capitalizes only those assets over \$5,000.

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

Other accounting policies are disclosed as appropriate in other notes to the financial statements.

Compensated Absences – The liability for compensated absences reported in the district-wide statements consist of unpaid, accumulated annual and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantor, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted”.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Budgets

The School District formally adopted General Fund and Special Revenue Funds budgets by function for the fiscal year ended June 30, 2008. Expenditures at this level in excess of amounts budgeted is a violation of Michigan law. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with U.S. generally accepted accounting principles.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as Required Supplemental Information.

Note 2 - Budgets (Continued)

Budget Violations – Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by significant amounts are as follows:

<u>Fund/Function</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
General Fund:			
Pupil Transportation	\$ 89,652	\$ 85,000	\$ (4,652)
Food Services	59,041	57,505	(1,536)

Note 3 - Deposits and Investments**Deposits**

The School District's deposits are deposited in one local financial institution. Deposits are carried at cost.

	<u>Primary</u>	<u>Fiduciary</u>
Deposits per Financial Statements:		
Checking, Savings and Certificates of Deposit	\$ <u>615,060</u>	\$ <u>11,218</u>

Investment and Deposit Risk

Interest Rate Risk. Through its investment policy, the School manages its exposure risk to fair value losses arising from increasing interest rates by limiting the duration of its investment portfolio to one year or less.

Credit Risk. The Schools policy limits investments in bonds, bills, or notes of the United States; certificates of deposits; commercial paper rated prime 1 or prime 2, maturing 270 days or less.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. State law does not require and the School does not have a policy for deposit custodial credit risk. As of year end, \$557,059 of the School's bank balance of \$657,059 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority:

Michigan laws compiled Section 129.91, authorizes the School District to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Note 3 - Deposits and Investments (Continued)

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at this time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchase through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Districts deposits are in accordance with state statutes.

Note 4 - Capital Assets

A summary of changes in governmental capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in Progress	-	48,765	-	48,765
Subtotal	<u>20,000</u>	<u>48,765</u>	<u>-</u>	<u>68,765</u>
<i>Capital assets being depreciated:</i>				
Buildings	2,071,454	188,874	-	2,260,328
Equipment	<u>202,918</u>	<u>5,287</u>	<u>-</u>	<u>208,205</u>
Subtotal	<u>2,274,372</u>	<u>194,161</u>	<u>-</u>	<u>2,468,533</u>

Note 4 - Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,543,491)	(22,772)	-	(1,566,263)
Equipment	<u>(153,095)</u>	<u>(6,692)</u>	-	<u>(159,787)</u>
Subtotal	<u>(1,696,586)</u>	<u>(29,464)</u>	-	<u>(1,726,050)</u>
Net capital assets being depreciated	<u>577,786</u>	<u>164,697</u>	-	<u>742,483</u>
Governmental activity capital assets – net of depreciation	<u>\$ 597,786</u>	<u>\$ 213,462</u>	-	<u>811,248</u>

Depreciation expense for the School District is \$29,464. The School determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

Note 5 - Long-Term Liabilities

The following is a summary of changes in the Long-Term Liabilities for the year ending June 30, 2008:

	<u>Accrued Sick and Vacation</u>	<u>Accrued Employee Retirement</u>	<u>Total</u>
Balance, July 1, 2007	\$ 37,575	\$ 57,990	\$ 95,565
Debt Payments/Additions	<u>4,904</u>	<u>(5,509)</u>	<u>(605)</u>
Balance, June 30, 2008	<u>\$ 42,479</u>	<u>\$ 52,481</u>	<u>\$ 94,960</u>

The debt service requirements for accrued employee benefits are dependent upon future employee retirements and terminations. Therefore, reasonable estimates of future payments required for accrued employee benefits cannot be determined as of June 30, 2008.

Note 6 - Defined Benefit Pension Plan

Plan Description – The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer, and defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 489019-8103.

Note 6 - Defined Benefit Pension Plan (Continued)

Funding Policy – Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$62,311, \$58,068, and \$57,284.

Post Employment Benefits – Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

Note 7 - Interfund Receivable and Payables, and Transfers

The School reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

Interfund Payables:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS		
	General Fund	Sinking Fund	Total
Food Service Fund	\$ <u>16,871</u>	\$ <u>377</u>	\$ <u>17,248</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 7 - Interfund Receivable and Payables, and Transfers (Continued)

Interfund Transfers:

TRANSFERS IN	TRANSFERS OUT
	General Fund
Food Service Fund	\$ <u>27,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8 - Risk Management

The School District is exposed to risks of loss related to property loss, torts, errors, and omissions, employee injuries (worker's compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to worker's compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for School Districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Accrued Employee Benefits

The district offered its teachers and administrative personnel early retirement incentives. Payments under these programs will be made through the year 2008. A liability for amounts payable in years subsequent to the year ended June 30, 2008 of \$52,481 was recorded.

Note 10 - Commitments and ContingenciesGrants

The School District has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the School District at June 30, 2008.

Note 11 - Sinking Fund

The Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of Section 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

Required Supplementary Information

Moran Township School

Required Supplementary Information Budgetary Comparison Schedule-General Fund For the Year Ended June 30, 2008

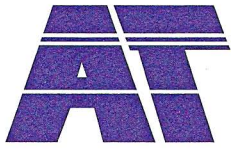
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources	\$ 899,844	\$ 863,813	\$ 863,618	\$ (195)
State Sources	12,245	19,098	19,098	-
Federal Sources	85,816	81,872	73,347	(8,525)
TOTAL REVENUES	997,905	964,783	956,063	(8,720)
EXPENDITURES:				
Instruction:				
Regular	632,667	612,713	517,551	95,162
Special Education	48,427	55,454	54,526	928
Supporting Services:				
School Administration	72,671	72,532	72,517	15
General Administration	15,349	13,524	13,422	102
Business	44,090	41,175	41,163	12
Operations & Maintenance	136,506	105,781	105,642	139
Pupil Transportation	85,000	85,000	89,652	(4,652)
Capital Outlay	3,000	5,300	5,287	13
TOTAL EXPENDITURES	1,037,710	991,479	899,760	91,719
EXCESS OF REVENUES OVER EXPENDITURES	(39,805)	(26,696)	56,303	82,999
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(17,000)	(25,700)	(27,000)	(1,300)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (56,805)	\$ (52,396)	29,303	\$ 81,699
FUND BALANCE, JULY 1			377,298	
FUND BALANCE, JUNE 30			\$ 406,601	

Moran Township School

Required Supplementary Information Budgetary Comparison Schedule-Food Service Fund For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources	\$ 13,450	\$ 12,325	\$ 12,328	\$ 3
State Sources	2,150	-	-	-
Federal Sources	25,200	19,700	19,711	11
TOTAL REVENUES	40,800	32,025	32,039	14
EXPENDITURES:				
Supporting Services:				
Food Service	57,800	57,505	59,041	(1,536)
TOTAL EXPENDITURES	57,800	57,505	59,041	(1,536)
EXCESS OF REVENUES OVER EXPENDITURES	(17,000)	(25,480)	(27,002)	(1,522)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	17,000	25,700	27,000	1,300
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ 220	(2)	\$ (222)
FUND BALANCE, JULY 1			76	
FUND BALANCE, JUNE 30			\$ 74	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Superintendent and Board of Education
Moran Township School
St. Ignace, MI 49781

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moran Township School, as of and for the year ended June 30, 2008, which collectively comprise Moran Township School's basic financial statements and have issued our report thereon, dated August 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Michigan School Auditing Manual, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Moran Township School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Moran Township School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

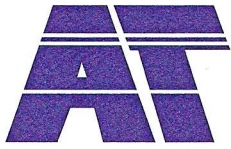
We noted certain matters that we reported to management of the Moran Township School District in a separate letter dated August 8, 2008.

This report is intended solely for the information of the Board of Education, management and federal and state awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 8, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Superintendent and Board of Education
Moran Township School
St. Ignace, Michigan 49781

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moran Township School for the year ended June 30, 2008, and have issued our report thereon dated August 8, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated July 30, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 5, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Moran Township School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 8, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Payroll (Prior Year)

The Michigan New Hire Form was not completed for employees hired after October 1, 1997. We recommend that each employee hired after October 1, 1997 should have a completed Michigan New Hire Form in his or her personnel file.

Status: Uncorrected.

Cash Transfers (Prior Year)

We noted a cash transfer in the general account, which was posted in June, but did not actually occur until July 18. Care must be taken to properly date transfers in the period they occur.

Status: Uncorrected.

Receipts

A receipt was inadvertently deposited into the trust and agency account instead of the general fund in January 2008. This has not been corrected as of year end, even though it is posted as outstanding on the bank reconciliation. Care must be taken to properly post the deposit to the correct account, and once an error has been detected, the correction should occur more frequently.

Bank Reconciliations

Treasury regulation require that bank reconciliations be performed timely and are reviewed. It would appear that bank reconciliations are not performed timely, nor has there been any review of the bank reconciliations. Several accounts are reconciled all at once at the end of the year. Care must be taken to reconcile the bank accounts in a timely manner so adjustments can be made quickly. A board member or management should review these bank reconciliations to comply with treasury regulations.

Vendor Checks

When examining invoices for the sinking fund, it was noted that the general ledger account detail recorded the check to the wrong vendor; however, the cancelled check showed that the check was sent to the right vendor. Care must be taken during check input procedures to ensure the computer records agree to the source accounts.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, which requires the School District implement the Statement for the year ended June 30, 2010. GASB Statement 45 impacts the future accounting of post-employment health insurance costs as it relates to the amount the School District will be required to fund these benefits. The School District will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The Board of Education as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

This letter is intended solely for the information and use of the Board of Education, management, federal awarding agencies, pass through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 8, 2008